

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /092 W

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R 020350Z FEB 77

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 2898

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

USDOC WASHDC

UNCLAS MUSCAT 0175

E.O. 11652: N/A

TAGS: EINV BGEN MU

SUBJECT: OMAN CHANGES FOREIGN INVESTMENT LAW

1. SULTAN QABOOS IN A RECENT DECREE AMENDED THE 1974 LAW GOVERNING FOREIGN INVESTMENT IN OMAN. THE MOST IMPORTANT PROVISION REQUIRES THAT NEW COMMERCIAL ORGANIZATIONS WITH FOREIGN PARTICIPATION MUST HAVE INITIAL PAID-IN CAPITAL OF NO LESS THAN R.O. 150,000 (\$435,000), A RAISE FROM THE PREVIOUSLY APPLICABLE MINIMUM OF R.O. 25,000. OMANI PARTNERS ARE REQUIRED TO HAVE A MINIMUM OWNERSHIP OF 35 PERCENT, AND A MAXIMUM OF 65 PERCENT CAN BELONG TO THE FOREIGN ENTERPRISE; BUT THE FIXED SCALE OF OMANI OWNERSHIP DEPENDING UPON ECONOMIC SECTOR HAS BEEN ABOLISHED. ANY NEW COMMERCIAL ENTERPRISE WITH FOREIGN PARTICIPATION INFRINGING THE PROVISIONS OF THE LAW SHALL BE LIABLE TO A MINIMUM FINE OF R.O. 5,000. COMPANIES ALREADY OPERATING IN THE SULTANATE WILL NOT BE AFFECTED BY THE NEW LAW.

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2. A SPECIAL COMMITTEE WILL BE SET UP TO SCREEN REGISTRATION OF NEW JOINT VENTURES WITH FOREIGN COMPANIES AND NO NEW FOREIGN INVESTMENT WILL BE ALLOWED WITHOUT COMMITTEE APPROVAL. THE BOARD WILL BE HEADED BY THE UNDERSECRETARY OF THE MINISTRY OF COMMERCE AND INDUSTRY (CURRENTLY ALI DAWOOD), ASSISTED BY REPRESENTATIVES FROM THE MINISTRY OF AGRICULTURE, FISHERIES,

PETROLEUM AND MINERALS; THE DIRECTORATE GENERAL OF FINANCE; THE DEVELOPMENT COUNCIL; AND THE OMAN CHAMBER OF COMMERCE. WE HAVE HEARD THAT THE COMMITTEE WILL HAVE THE FLEXIBILITY TO SET PERCENTAGES OF OMANI OWNERSHIP ON A CASE-BY-CASE BASIS.

3. THE AIM OF THIS NEW DECREE IS TO ENCOURAGE MORE LOCAL INVESTMENT BY OMANI TRADING COMPANIES AND TO EXPAND THE PRIVATE SECTOR'S INFLUENCE ON ECONOMIC GROWTH. OMANGOV BUDGET CONSTRAINTS WILL PRECLUDE THE SAME RATE OF GOVERNMENT INVESTMENT PREVAILING IN THE LAST 5 YEARS. THE OMANGOV IS SEEKING TO CHANNEL FOREIGN INVESTMENT INTO PRODUCTIVE SECTORS SUCH AS MANUFACTURING, AND TO PREVENT FOREIGNERS FROM BECOMING INVOLVED IN WHOLESALE/RETAIL STORES AND SUPERMARKETS. IT IS EXPECTED THAT MOST NEW PRIVATE FOREIGN INVESTMENT OUTSIDE OF THE PETROLEUM SECTOR WILL COME FROM KUWAIT AND THE UAE, AND THE KUWAITIES IN PARTICULAR ARE GENERALLY INTERESTED IN LARGE VENTURES FAR ABOVE THE NEW CAPITAL REQUIREMENT.

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## Message Attributes

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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009